

Specialization (*Answer Key*)

Why the United States trades with other nations

Exchange of Goods and Services

The United States cannot produce all the goods and services that citizens want to consume. Trade also allows companies in the United States to sell products to a larger market.

Specialization

A country will specialize by concentrating its resources and efforts on a limited number of goods.

Absolute Advantage

One country can produce a particular good at a lower cost than another country. Countries must consider if they should produce all they can and be as self-sufficient as possible, or if they should specialize in what they are best at and trade for what they don't produce.

Comparative Advantage

One country can produce a good at a lower opportunity cost than another country. Economists suggest that countries produce and sell the goods with which they have the comparative advantage. Countries can then use the money from the sale of those goods to purchase the goods that cannot be produced as efficiently.